



## Wyoming Lender Alert

100 East B Street, Room 4001 Federal Building, P.O. Box 44001,  
Casper, Wyoming 82602-5013

Tel: (307) 261-6500 Fax: (307) 261-6535 TDD: (307) 261-6527 Web: [www.sba.gov/wy](http://www.sba.gov/wy)

January 2006

Steven Despain, District Director

*Making a Difference for Small Business in Wyoming*

### **SBA Increases Small Business Size Standards To Account for Inflation**

The U.S. Small Business Administration has increased its small business size standards to account for inflation, restoring small business eligibility to those firms that may have lost their small business status because of inflation since February 2002.

SBA has adjusted its dollar-based small business size standards, which are based on receipts, net worth and financial assets, to reflect inflation that has occurred since February 2002, when SBA last adjusted them for the same reason. Since the February 2002 inflation adjustment, prices have generally increased 8.7 percent. SBA increased the familiar "anchor" size standard from \$6.0 million to \$6.5 million. Size standards that are higher than \$6 million also reflect similar percentage increases.

"These changes to our size standards and eligibility criteria will ensure that growing small businesses whose growth has matched the inflation rate will continue to have access to

SBA's financial and contracting assistance programs," said SBA District Director, Steven Despain. "We decided to make these changes immediately, rather than wait."

SBA also changed how it determines the size of small business concerns when they apply for SBA Business Loans and for Economic Injury Disaster Loans (EIDL). Instead of looking only at the loan applicant's primary industry, SBA now looks at both its primary industry and the primary industry of the applicant together with its affiliates. This will provide additional assistance to small businesses that have subsidiaries and affiliates.

SBA issued an Interim Final Rule on December 6, 2005, and the revised size standards took effect the same day for its loan programs. For federal procurement, the new size standards become effective on January 5, 2006.

For more information about SBA's increase to its small business size standards for inflation, please see:

<http://www.sba.gov/size/indexw/hatsnew.html#inflIFR>.

### **STAR Loan Program**

SBA just released notice 5000-982 which discusses required lender file documentation for loans made under the STAR loan program. You can access this notice at:

<http://www.sba.gov/banking/index/noticefy06.html>

STAR loans were made to businesses that were "adversely affected by the September 11, 2001 terrorist attacks and their aftermath". SBA encourages all lenders to review their file documentation for eligibility on STAR loans.

### **Pay.gov – Lender Payments**

website address is:

<https://pay.gov/>.

Pay.gov is a free, secure, government-wide financial management transaction portal managed by the U.S. Department of the Treasury's Financial Management Service, develop-ed in conjunction with the Federal Reserve Bank. It offers various on-line electronic financial services that the public can use for remitting payments and associated data electronically to federal agencies. Pay.gov is convenient, easy, and available

seven days a week - 24 hours a day.

The Pay.gov website can be used by any Lender choosing to make either of the following payments:

- Loan Guarantee Fees
- Care & Preservation of Collateral Expenses.

Payments will be processed electronically by using either a checking or savings account debit processed through the Automated Clearing House. By accessing the "Find Public Forms" area of the website, Lenders will be able to complete Form 1544 (Lender Fee Payments) to schedule payments online.

Any payment processed through Pay.gov requiring a refund will be returned by check. SBA can receive but cannot make payments electronically through Pay.gov.

### **Working Capital**

**Everyone needs it, but few learn how to manage it!**

All firms operate under a business model allowing them to add value to certain inputs (raw materials, information, and inventory) and sell them for a profit as products and/or services. To do so a business must fund both the purchase of inputs and the activity of adding value. The money used for this is known as working capital. Working capital is generally defined as capital assets easily converted to cash.

The lament of many business owners is "If I just had a little more working capital, I could generate some nice profits!" Most bankers are willing to provide working capital for

businesses, but only if they believe the business owner is managing the working capital "cash cycle" effectively. The cash cycle refers to the continual flow of resources into and out of working capital accounts. These accounts are cash, accounts payable, accounts receivable, inventory, and accruals.

The problem with obtaining additional working capital is the cost of paying for it. A better idea would be to manage working capital needs carefully and use debt sparingly. There are three main areas to focus on when considering the management of the cash cycle: accounts receivable, accounts payable, and inventory usage.

#### **Accounts Receivable**

When businesses sell their products and/or services on credit they become, in effect, a lender and most are unprepared to properly manage or control this activity. A sale is not successful until an acceptable amount of cash is received. To ensure this collection of cash, a decision needs to be made on which customers are allowed to purchase on credit. A common framework for making this decision is using the six "C's" of banking: Character, Cash, Collateral, Capacity to pay, Credit, and Conditions. A second decision is needed on the terms of credit offered. Credit terms dictate when and how payments should be made and offer positive incentives to encourage early payment or the assignment of additional costs in the event of a late payment. A business owner should seek advice from an accountant in

setting up policies related to the extending of credit to customers.

#### **Inventory Management**

Inventory acts as a buffer to guard against shortages in any point of the value added process. The fear and the possible loss of a sale causes many businesses to overstock inventory levels. The costs of holding too much inventory are real but not always evident. Inventory costs commonly incurred include management and handling, security systems, obsolescence, loss from theft, insurance, physical damage, deterioration, and physical storage. To reduce costs related with excessive inventory, many businesses have invested in demand management systems for customer orders and just-in-time systems to ensure timely receipt of inventory from key suppliers.

#### **Managing Payables**

Businesses should seek to purchase inventories using the most favorable or longest terms of credit possible. Again, credit decisions are based upon the six "C's" of banking discussed above and businesses should constantly monitor their situations to make themselves more credit-worthy in the eyes of their suppliers. Payables should be viewed as a source of interest free financing and should not be paid until the date specified by the terms. In some cases, a discount is allowed for early payment; this offer should be considered carefully. If the discount is sufficient enough to offset the disadvantage of paying early, then payment should be forwarded.

In summary, a business owner should not be concerned with obtaining “more” working capital, but should invest time and effort into managing the beast that consumes working capital, the “cash cycle!”

### **Spyware - Biggest Threat To Businesses**

While viruses and other malicious software (malware) have always caused problems for businesses and home users, it was usually written by teenagers seeking nothing more than attention and notoriety. But these days, the culprit is more likely to be an experienced criminal seeking to steal money from others, according to recent reports issued by security software companies.

Sophos, an international security software company, released their ‘Sophos Security Threat Management Report 2005’ last week. According to the report, “spyware has become one of the biggest threats that businesses now face.” The percentage of malware examined by Sophos that included spyware components rose from 54.2% in January to 66.4% by the end of November.

Spyware can be secretly installed on a computer through web downloads, viruses, or even packaged software and CDs. Without the computer owner’s permission or knowledge, it can then log keystrokes, steal information, and open up the computer to third-party access and the installation of “bot” software.

Sophos also reported that on average, 1 in 44 of all emails were virus infected and that most of the top ten viruses reported to Sophos had the ability to allow third-party access to infected computers.

This third-party access makes it possible for hackers to gain complete control over those machines; the infected PCs are then called “zombies”. The zombie PC will then become part of the hacker’s “zombie network” or “botnet”.

Botnets are popular with criminals because of their multiple uses. Sending spam – still a big money maker – is one common use. Botnets are used to send e-mail messages that would evade blacklists and other antispyware measures.

Identity theft is another favorite activity of botnet criminals. They can use botnets to send out spam in the hope of capturing information through “phishing” schemes. One common variant of phishing is when the criminals design Web sites to look like real banking or e-commerce sites. They then send out spam messages asking the recipients to enter their account or credit card number at the bogus site. If anyone does, the crooks can take control of that account.

According to other reports, individuals are making money by charging several thousands of dollars for the temporary use of their botnets.

In addition to email, entry points for malware include web browsers, chat protocols, instant messaging (IM) applications, CDs, USB storage devices, memory cards, smartphones, and MP3 players.

This variety of entry points highlights the importance of good security practices such as keeping software patched; running antivirus and spyware software and updating it frequently; and installing a personal firewall.

According to the report, Sophos expects that vendors will combine anti-virus software and anti-spyware software into a single product, making it easier for businesses to protect their computers and data.

### **Upcoming Events**

**January 4**– Women’s Roundtable Casper and Dubois

**January 5** – Women’s Roundtable Jackson

**January 12** – Women’s Roundtable Laramie and Worland

**January 17** – Women’s Roundtable Cody

**January 19** – Women’s Roundtable Powell

**January 28** – W2W Conference, Gillette

**Have a  
Happy,  
Healthy  
New Year!!**